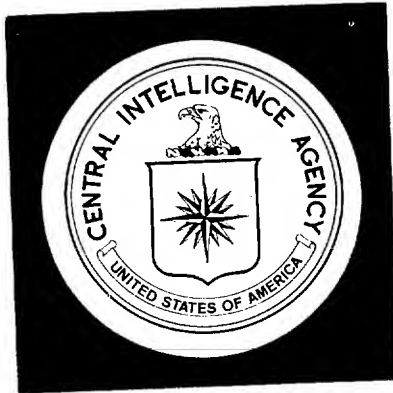


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*ISRAEL: Prime Minister Meir has again reversed herself and agreed to continue, until tomorrow, her efforts to form a government. Mrs. Meir informed President Katzir late yesterday that she would continue until the seven-day extension of the mandate granted by Katzir last week expires on Wednesday.

Mrs. Meir apparently yielded to the entreaties of other Alignment leaders who urged her not to give up. She probably considers, however, that it is now up to them to come around to her way of thinking and is, in all probability, quite prepared to step down should they refuse.

In that event, the possibility is quite strong that new elections will have to be called or, less likely, that a government of national unity with the right-wing Likud will emerge. Pressure for a unity government, primarily from Defense Minister Dayan's Rafi faction, appears to be growing within the Alignment, but such a move could split the party. The left-wing Mapam faction, for instance, has threatened to bolt the Alignment should this occur.

Although Alignment leaders, again with the exception of Dayan, do not favor new elections, this option may become more attractive should the present impasse continue. In the pre-election interim Mrs. Meir would continue to head the present caretaker majority coalition that includes Dayan and the National Religious Party. The Alignment would have more time to address the domestic political issues that divide it and threaten to weaken further its position at the polls. The government could also in the pre-election period continue the disengagement negotiations with the Syrians, confident that its views on this subject are shared by a majority of the Kneset. [REDACTED]

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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PORTUGAL: The Caetano government is continuing to steer a middle course in its policy toward the overseas territories, but there are signs that Lisbon may be weighing the advantages of loosening its tight grip.

In his recent annual address to the country's only legal political party, Prime Minister Caetano tried to appeal to critics of his overseas policy on the right and left. He stressed that Lisbon will continue to promote a multi-racial society and a process of gradual decentralization of decision-making.

He acknowledged for the first time that in 1962 he had advocated a federation or community of Portuguese territories. Caetano asserted, however, that while he is not opposed to this step, it is no longer possible today because "the world" would only accept a complete transfer of power to "terrorists." He claimed this would result in the immediate expulsion of whites, a solution that Portugal could not accept. While Caetano's stress on not abandoning the whites was meant to reassure the right, the mention of a federation of Portuguese states can be taken as an appeal to the center-left. It poses the possibility of a compromise solution more acceptable to moderate Africans and Portuguese who are discontented with the cost of suppressing the insurrection in the African provinces.

A recent increase in attacks by black anti-Portuguese insurgents in Mozambique provoked demonstrations there by white settlers against the lack of protection by the armed forces. Lisbon is concerned over the increase in sentiment for a "Rhodesian solution" among Mozambique's white population and has agreed to provide the whites with arms and a radio network for protection against further attacks.

The government has also tried to appeal to those elements who think Lisbon should be more flexible. During a recent visit to Mozambique, the overseas

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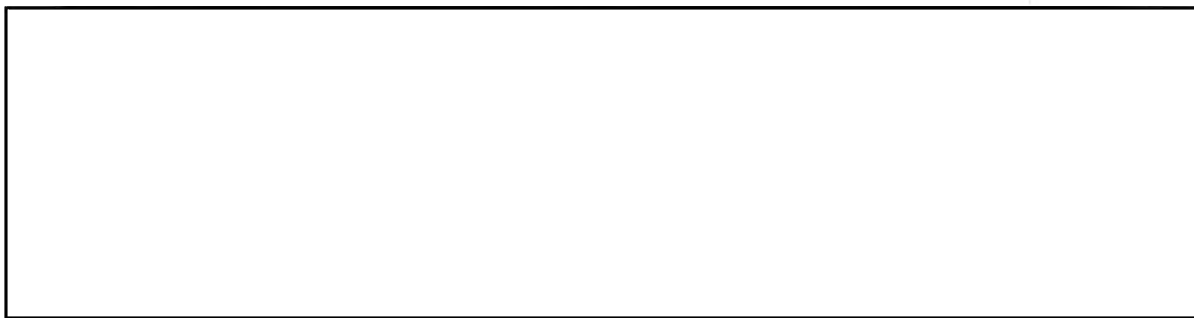
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minister spoke of granting increased autonomy to the African provinces. Lisbon has also allowed a multi-racial organization to be formed--The Group for a United Mozambique--which is led by a black who is a former member of a now-defunct insurgent group.

Although the new organization has been described in the foreign press as a "third force," which would provide an "African solution" to Portugal's colonial problems, Lisbon has been careful to limit its scope. The group will operate as a "cultural" organization in order to circumvent a constitutional ban on political parties. Even though the group may have little appeal in Mozambique at present, it represents a small step forward and will upset those Portuguese who are opposed to any movement toward autonomy.

Meanwhile, a key member of the Portuguese military establishment, General Antonio de Spinola, has just published a best-selling book that calls for a new Portuguese constitution to provide civil liberties and democratic institutions in all areas administered by Portugal. It also calls for the creation of a federation of sovereign Portuguese states. Spinola, who is the vice chief of staff of the armed forces and former commander in chief and governor of Portuguese Guinea, contends that a military solution to Lisbon's problems in Africa is not possible. The fact that the government has permitted Spinola's book to be published suggests that Lisbon is willing to open a dialogue on the question of Portugal's relations with its African territories.

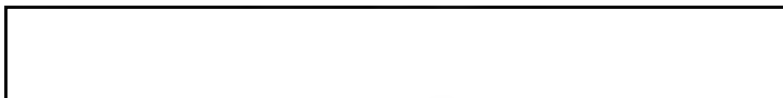


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USSR-BANGLADESH: The Soviets will begin phasing out their harbor-clearing and salvage team at Chittagong later this month. According to a press statement by the head of the Soviet team, two small coastal minesweepers will leave on March 15, and the entire operation will be terminated by June 30.

The clearing of the harbor of mines and wrecks left by the Indo-Pakistan war began in the spring of 1972, and at one time as many as 14 Soviet ships--minesweepers, salvage, and support units--were involved. Eight Soviet ships are currently in Chittagong. The Soviets completed the major portion of the clearing work almost a year ago, but extended their stay to complete the task. Only pre-1971 wrecks remain and these reportedly do not interfere with port operations.

Despite the departure of the naval salvage team, the Soviets remain well entrenched in Chittagong. They have a consulate general and trade mission and an air force advisory mission there. In addition, the Soviets are engaged in a fisheries-assistance program and are training the Bengalees to operate Moscow-supplied salvage equipment. The Soviets may also soon begin a project for mapping the coastal and inland waterways of Bangladesh. Such an undertaking probably would involve the Soviet Navy and take several years to complete. [REDACTED]

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[REDACTED]

GUATEMALA: The Arana government, apparently convinced that opposition candidate General Efraim Rios Montt won Sunday's presidential election, reportedly is torn between accepting his victory or sticking with an earlier plan to manipulate the vote count and name its candidate, General Kjell Laugerud, the winner.

Either course could prove painful for the government; accepting Rios Montt, a moderate leftist, would be anathema to conservative military and civilian officials, and falsifying the election returns to name Laugerud the winner might spark serious violence or split the army.

[REDACTED]

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After early returns were published showing Laugerud in the lead, the government temporarily suspended the publication of further vote totals. The lack of official returns, and the opposition's claims of victory brought partisan political tensions in the capital to a high pitch, and supporters of the rival candidates were involved in minor clashes.

The government resumed announcing official returns late last evening, giving incomplete figures that put Laugerud slightly ahead of Rios. The figures differ sharply from those being cited by the opposition, and thus the chances of trouble between the opposing groups remain high.

[REDACTED]

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FOR THE RECORD

North Yemen: President Iryani appointed a new cabinet on March 3 headed by prime minister - designate Hasan Makki, who has been serving as head of a caretaker government since Prime Minister Hajri's removal three weeks ago. Although about half of the ministers are new appointees, the shuffle probably does not foreshadow significant policy changes. [REDACTED]

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USSR - Indian Ocean: The Soviet Kresta II - class cruiser, Admiral Voroshilov, will visit Port Louis, Mauritius, for several days beginning on March 7. It apparently will take part in Mauritian Independence Day celebrations on March 12. This will be the second time within three months that a Soviet warship has visited this port. Previous visits by Soviet warships to Port Louis have been made at intervals of a year or more, although naval auxiliaries have frequently visited the port. [REDACTED]

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